

Fauquier County Government & Public Schools



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To: Chairman and Members of the Board of Supervisors
Chairman and Members of the School Board
County Administration
Schools Administration

From: Janice Bourne, Finance Director

Subject: Corrective Action Plan to FY 2002 Audit Comments

Date: January 2, 2003

On behalf of all those involved in financial statement preparation for Fauquier County, the Finance Department appreciates the suggestions given by the County's independent audit firm, Robinson, Farmer, Cox Associates, for improvements. We have reviewed the comments (letter attached), and present our strategies to enhance the quality of our processes. In the paragraphs below, each of the auditors' recommendations is presented by title, followed by our responses. Our responses indicate how the deficiencies have been, or will be, addressed.

Recommendation: The Financial Reporting Model

Response: GASB 34 will be a significant change to the County's financial reporting, and will significantly impact staff resources to meet the requirements. Admittedly, we are already behind in implementing this change. We are requesting funding of up to \$25,000 for auditor assistance in implementing this change. This amount is based on a quote from the County's audit firm, Robinson, Farmer, Cox Associates. Also, in January, Finance staff will begin weekly meetings to develop and implement a plan of action to fulfill this requirement.

Recommendation: Uniform Accounting System for Expenditures

Response: This recommendation is addressed in two parts – one for the operating account corrections and one for the capital asset accounts/comprehensive maintenance issues.

Operating accounts - In October, the County Administrator and the Superintendent of Schools authorized the formation of an Account Coding Team to review and revise the County's Chart of Accounts to more accurately comply with State of Virginia requirements. This Team was established to address such inaccuracies with the operating accounts as noted by the auditors. Members have been meeting regularly and have completed an initial revision of the account coding structure. The Team is currently preparing a listing of object codes with definitions. During January, the Team will complete the code listing and definitions

and work with County Administration on issues with budget transfer procedures. In February, the Team will meet with user departments for comments on the revisions. In March, the Team will implement use of the new operating codes, and any corrections required in the current fiscal year coding.

Capital asset accounts -The Account Coding Team has not addressed the issue of the use of capital asset codes, including the comprehensive maintenance costs. To address this issue, other County staff needs to be included such as the Budget Office and General Services. In February, Finance staff will draft recommended changes to the current use of capital asset codes and the Capital Improvement Fund that conform to State of Virginia requirements, accounting standards, and County policies. This recommendation will be submitted to a revised team for review and comment. Appropriate changes will be made, and submitted to the County and Schools Finance Committees for comments and adoption.

Recommendation: Timely Payment of Bills/Income Taxes

Response: Bills need to be paid in a timely manner, eliminating any potential for late fees and/or penalties. The Finance Department has already taken steps which address the issues raised in this comment. In the case of payroll taxes, the payroll department has placed a high priority on ensuring that payments are made in an accurate and timely manner.

WSA water bills are due shortly after they are received by the County. The short processing time before a late fee is incurred does not allow for the adequate review and allocation process that is necessary. The Finance Department worked with the County Attorney's Office and General Services to identify options and revise the process. Finance and General Services recently implemented a revised process to ensure the bill is paid timely, and the appropriate review and allocation is made.

In addition, accounts payable staff is reviewing the payment processing function to identify potential enhancements to the process.

Recommendation: Repeat Comment – Accounting System Controls

Response: We concur that the Finance Department needs a comprehensive policy and procedures manual, additional cross training of personnel, improved management support, and more knowledgeable professional staff. These issues are the very essence of improving internal controls and effectiveness.

As Finance Director, I wish I could tell you that these recommendations can be accomplished by this time next year. I cannot. I can only tell you that I recognize the importance of working to achieve these recommendations, and that we have started the process. Each activity and process we undertake is designed in one form, or another, to help address this comment. Depending on management support and staffing issues, it may take several years to achieve the desired result. However, we have made progress, and will continue to implement improvements consistent with these recommendations.

Recommendation: Year End Accounting and Reporting

Response: The Finance Department is well aware of external reporting deficiencies. This Director responded to the Government Finance Officers' Association on each of

the 17 comments from the June 30, 2001 Comprehensive Annual Financial Report (CAFR). In reviewing the June 30, 2002 CAFR, Finance staff made every effort to ensure that the 17 comments were corrected.

A primary cause of these external reporting deficiencies relates directly to the department culture, skills and experience of staff. The remedies for this recommendation will span more than one fiscal year. Remedies include, but are not limited to, the use of balanced scorecard strategies to refocus the department; and use of on-the-job and external staff development opportunities. As suggested by the audit recommendation, we will use the prior year audit adjustments as one training tool, and as a tool to review internal procedures for timeliness and adequacy. A team approach is being used where possible to provide more open communications, and to share knowledge and experience. These changes are underway, and progress is being made.

Recommendation: Use of Journal Entries

Response: The Treasurer's Office implemented new procedures suggested by the audit team as soon as they brought the issue to their attention.

The Finance Department's recognition of fixed assets for the 2003 fiscal year is on hold pending resolution of the previous item discussed under Uniform Accounting System for Expenditures – Capital Asset Accounts. Once the use of capital asset account codes has been corrected, Finance staff will develop an Excel worksheet for capital projects, update the fixed asset records accordingly, and prepare journal entries to properly record these assets in the general ledger.

Recommendation: Deferred Compensation Fund

Response: The laws administering the deferred compensation plans changed in 1996. As such, the County is no longer required to maintain this fund. Finance staff will take the steps necessary to remove this fund from the accounting system.